



PRESS RELEASE

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Boeing to pay United States \$2.5 million to settle fraud case involving defective parts on the Apache Helicopters

PHOENIX, ARIZONA -- The United States Attorney's Office for the District of Arizona announced that on May 16, 2003, The Boeing Company, parent of McDonnell Douglas Helicopter Company, agreed to pay the United States \$2.5 million to settle a fraud lawsuit involving defective "fuzzbusters" in the Apache Attack Helicopter which were sold to the United States Army. The Apache, manufactured in Mesa, Arizona, entered service with the Army in 1984 and was relied heavily upon in combat in Operation Anaconda in Afghanistan and Operation Iraqi Freedom.

The fuzzbuster was originally designed to remove pieces of debris from the oil in the Apache's main transmission and two nose gearboxes. Large pieces of debris can indicate gearbox failure, while smaller pieces of debris cause nuisance warnings. When a helicopter lacks a fuzzbuster, debris of any size accumulating in the transmission or nose gearbox oil will cause the chip detector to signal a warning light to the pilot. Flight safety protocol dictates that the pilot land the aircraft as soon as possible upon the illumination of a chip detector warning light. Without a fuzzbuster to burn off inconsequential pieces of debris, nuisance warnings can be frequent and will cause unnecessary landings or aborts of scheduled flights.

At the Army's request to incorporate the new fuzz suppression technology, McDonnell Douglas (now Boeing) contracted with Tedeco, an avionics manufacturer, to design and manufacture chip detectors with fuzz suppressors, which would burn off the smaller pieces of debris and thereby eliminate nuisance warning lights. A performance specification, drafted by Boeing, addressed the Army's request and required chip detectors with fuzz suppressors to "preclude unnecessary shutdowns and inspections."

Sometime after the first Apache helicopters were delivered to the Army, the Army learned that the Apache was experiencing an unexpectedly high number of mission aborts from chip detector warning lights that turned out to be false alarms. Subsequent investigation revealed that none of the fuzzbusters received the requisite 28 volts specified by Tedeco to activate the fuzz suppressor capability. Instead, the fuzzbusters received at most 8 volts of inadvertent or phantom voltage through the aircraft's caution and warning panel. Fuzzbusters receiving 8 volts act only as chip detectors and lack any fuzz busting capability. Consequently, Apaches have been plagued by numerous unnecessary precautionary landings and mission aborts.

A whistle blower lawsuit was filed by in December of 1998 by Eugene Swensen, a former engineer who worked at the Mesa plant, alleging that Boeing attempted to cover up the problem rather than fix it, as it was contractually obligated to do. Swensen alleged that Boeing knew that the fuzzbuster was not receiving the requisite power and never advised the Army. The lawsuit was filed under the False Claims Act , which allows private citizens to sue on behalf of the government to recover federal funds that were obtained by false and fraudulent claims. The United States joined the lawsuit in August of 2000.

In accordance with the False Claims Act, Mr. Swensen will be paid \$575,000.00 from the Boeing settlement with the balance of the \$2.5 million being paid to the Army and the government. Boeing also agreed to pay Mr. Swensen to settle his employment claim, his legal fees and costs for \$825,000.

The case was investigated by Defense Criminal Investigative Service, Phoenix Field Office

The prosecution was handled by Ashley Adams-Feldman and Janet M. Walsh, Assistant United States Attorneys, District of Arizona, Phoenix, Arizona.

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